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## Financial Highlights

Net Sales in 1971 were \$1,225,398,000, a 9 percent increase over \$1,122,593,000 in 1970.

Earnings in 1971 were \$62,662,000 compared with \$56,053,000 for 1970.

Earnings Per Share were \$2.74 or 10 percent over \$2.49 for 1970.

Average Shares Outstanding were 22,879,248 for 1971 and 22,547,198 for 1970.

Dividends paid were \$22,895,000 for 1971 and \$22,594,000 for 1970.

Plant and Equipment Expenditures were \$54,047,000 in 1971 as compared with \$63,442,000 in 1970.

Depreciation and Amortization was \$29,936,000 and \$26,030,000 for 1971 and 1970, respectively.

Shareholders' Equity increased to \$382,395,000 at the end of 1971, compared with \$331,240,000 for 1970.

## About this report

A Berber tribesman in the High Atlas . . . a logger in the Pacific Northwest . . . a liveried chauffeur along London's posh Bond Street . . . a girl wearing a Mickey Mouse cap in Orlando . . .

What does each of these people have in common?

They are among the hundred million people a day who enjoy the consumer products of PepsiCo, Inc., products offered to more than a billion people in 124 lands—from Centerville to *centre ville*; Manila to Milwaukee to Makarska.

The best known of those products—Pepsi-Cola—is known in all 124 lands (and for that matter, in many other places where Pepsi is not yet sold). But the worldwide acceptance of PepsiCo products is by no means limited to that universally known soft drink.

People buy Wilson golf clubs as readily in Sydney and Casablanca as they do in Syracuse and Cincinnati. Sabritas snacks are as familiar to the children of Guadalajara as Frito-Lay snacks are to the kids in Gainesville. Indeed, the name "Mirinda" used with soft drinks of several flavors, was chosen so that the sound of their names would seem familiar in many tongues.

Those billion consumers and customers are important to PepsiCo. So too are a billion other people around the world who, as yet, have not had the chance to savor the company's products.

To underscore that importance, and to illustrate the worldwide acceptance of PepsiCo's products, a few of the places where they are sold and some of the people who enjoy them are illustrated on the following pages.

On the cover: a Pepsi-Cola truck is shown as it delivers in the ancient walled city of Dubrovnik, Yugoslavia.

## To the Shareholders:

In 1971, your company's sales and earnings reached all time highs.

Sales were \$1,225,398,000 as compared with \$1,122,593,000 in 1970, an increase of 9 percent.

Earnings reached \$62,662,000, compared with \$56,053,000, an increase of 12 percent.

Earnings per share rose to \$2.74 in 1971, from \$2.49 in the prior year, an increase of 10 percent.

The Financial Review section of this report presents a breakdown of the sales and contribution to income, before taxes, of the various lines of business in which we are engaged. This five year summary includes the operations of Wilson Sporting Goods Co. from the date of purchase in February 1970. A statement of accounting policies and more detail about many financial aspects of the company are also presented.

We are one of the major, multi-national companies vigorously opposing a bill introduced in the Congress this year that would deal a crippling blow to American investment abroad and to world trade. Called the Burke-Hartke Bill, it would do so by imposing quotas on most imports, by substantially increasing the tax burden on profits earned abroad, and by drastically restricting the growth of foreign investment. The bill rests on the totally false assumption that overseas investment hurts employment at home. PepsiCo, however, has participated in studies which prove that just the opposite is true, that the continuing expansion of trade and investment is in the best interests of the country and in the best interests of PepsiCo, its employees and shareholders.

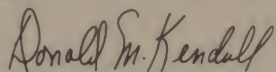
As a major multi-national company, a routine part of forward planning is a program of anticipating foreign currency fluctuations. In 1971 we were successful in posturing the company properly and avoided any material impact from the monetary uncertainties which were characteristic of the past year.

We are most fortunate that James M. Roche, director and former chairman of the board and chief executive officer of the General Motors Corporation, has joined PepsiCo's board of directors. Because of his background and experience, we know that Mr. Roche will

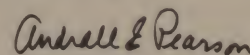
make an important contribution to the company. After 33 years, William B. Oliver, who has served as a part of the management of Frito-Lay, including the positions of president and chairman, and since 1965 as a director of PepsiCo, has requested early retirement.

Our Annual Shareholders' Meeting will be held at our World Headquarters in Purchase, New York, at 10:00 a.m., EDT, Wednesday, May 3, 1972. This will give those of you who plan to attend an opportunity to view our beautiful and efficient facilities.

Looking forward to 1972 and beyond, we recognize the possibility that we may be operating under price and wage controls for some time to come. We agree that the continued growth of inflation called for stringent measures. Even should these controls remain in effect, we nevertheless expect to be able to maintain our growth trends in both sales and earnings.



Donald M. Kendall  
*Chairman of the Board and  
Chief Executive Officer*



Andrahl E. Pearson  
*President*

March 10, 1972



Donald M. Kendall



Andrahl E. Pearson

### Growing Sales

PepsiCo sales increased in 1971 in virtually every consumer product and service category.

The sales of Pepsi-Cola continued to follow their strong growth trend, as did those of the soft drink industry as a whole; sales of Diet Pepsi-Cola have climbed back nearly to the levels they enjoyed prior to the 1969 cyclamate ban. The increases were aided in part by growing consumer use of Pepsi-Cola at home, and to capitalize on this trend, the Pepsi-Cola Company introduced several larger packages for greater convenience.

The Frito-Lay division in particular enjoyed a banner year. Margins improved as a result of a better product mix, more effective cost controls, and increased sales. Demand on the part of the public for all its nationally-advertised products—Lay's brand potato chips, Fritos brand corn chips, Ruffles brand potato chips, Chee-tos brand cheese puffs, Doritos brand tortilla chips, Rold Gold brand pretzels, and Fritos brand dip mixes—continue to increase. To meet the demand for these products, several new Frito-Lay plants are under construction.

As our shareholders know, PepsiCo, Inc. acquired a controlling interest in Wilson Sporting Goods Co. approximately two years ago. Experienced personnel had already made Wilson one of the top-quality names in the sporting goods world; now, several capable additions have been made to the management team to insure expansion and growth for the future.

More aggressive marketing and improved cost controls in Wilson's major product areas—golf, tennis, and team sports—accounted for the 11 percent sales gain and the 42 percent net income gain announced by Wilson in its separate report to its shareholders.

PepsiCo's common carrier transportation services, northAmerican Van Lines and National Trailer Convoy, also showed sales and profit increases in 1971.

### New Products

Adding impetus to this sales momentum are several new products which PepsiCo's divisions have introduced.

Early in 1972, Frito-Lay completed national distribution of a product already proven in test markets, Munchos brand potato crisps. This product is manufactured through a new process wherein potato solids are mixed with other ingredients to create a crispy snack base. This method of production provides great flexibility in further processing where shape, flavor, and other desirable product characteristics are developed for new varieties of snacks. Another new product marketed nationally in 1971 was Funyuns onion-flavored rings.

Wilson Sporting Goods successfully introduced two new products in late 1971 and early 1972, and will roll out a third in the spring of 1972.

Wilson's new RBI bat looks like, feels like, and when it hits a baseball, even sounds like, a normal wooden bat—only it's made of a space age material molded around an aluminum core, and as a result is virtually unbreakable. As it's advertised, "The RBI bat does everything a wooden bat will do except break."

The second new sports product is the Wilson Staff LD (Long Distance) golf ball. Because of its new core, the LD drives further than any previous Wilson golf ball, and because it's covered in a new "miracle" material, Surlyn, is more resistant to surface cuts.

In the spring of 1972, Wilson will introduce a new T3000 steel tennis racket, a companion to the highly-successful T2000 metal racket which it will continue to sell. The T3000 has a new wedge in the racket's "throat" which, with other changes, gives it harder hitting capacity and more of the "feel" and control of a wooden tennis racket.

### New Packages

The Pepsi-Cola Company was active in introducing new packages during 1971, particularly in larger sizes.

A sixteen-ounce version of the customary twelve-ounce can is being tested. A 48-ounce bottle made its debut in Jersey City, New Jersey, and in eight New England franchises. A 64-ounce bottle was put into test in Baltimore, Maryland. A tri-Pak (a convenient carrying device for three quart-size bottles) was offered shoppers in Milwaukee, Wisconsin. An innovative 32-ounce Plasti-

## Dallas

Texans like to say the wind blows cold across the plains "Because there's nothing between here and the North Pole but a barbed wire fence, and that's down half the time." A cowboy takes refuge from that biting wind, and slakes his thirst with a Diet Pepsi-Cola. Dallas is a "home town" for PepsiCo. The Frito-Lay division has its headquarters there, and a vast research center at nearby Irving. Pepsi-Cola Company makes concentrates for its soft drinks in a computerized plant at Arlington, and virtually all of the company's products and operations are represented in the area.

Shield (lightweight, colorful plastic-sleeve) bottle is being tried in Toledo, Ohio.

During the past year, the Pepsi-Cola Company completed an extensive program of redesigning all its packaging to give it a more attractive, modern look, and heighten recognition by consumers. The program was extended to virtually everything seen and recognized by the consumer, including route trucks, salesmen's uniforms and billboard posters.

The demand for larger-size packages, incidentally, is by no means limited to the United States. A one-liter "family size" bottle has been used abroad by PepsiCo International since 1967. In that time, overseas sales of Pepsi in the larger size have increased tremendously, and the one-liter package is now available in 19 countries.

## New Markets

Pepsi-Cola is sold in 124 countries and territories around the world. PepsiCo International continues to expand and has an ambitious program scheduled for 1972.

In 1971, Pepsi-Cola was introduced to Greece, and distribution was vastly increased in several other countries where it was already marketed. One of those countries is Hungary, where Pepsi was introduced two years ago. Because of increased volume and added distribution, a third plant was opened at Pecs, in 1971, and a fourth is planned for 1972. PepsiCo International completed distribution in all of Austria when franchised bottlers opened plants in Klogensurt and Bad Hall, making a total of six plants in that country. Distribution was also started in Regensburg, Germany.

In 1972, two plants will be opened in Poland, and marketing of Pepsi-Cola will begin in Indonesia. The Polish plants, in Krakov and Dansk, will be the first American soft drink operations in that country.

Pepsi-Cola's share of the British market is expected to benefit from an agreement with the Whitbread Group, under which this major English brewer will market and distribute Pepsi throughout England and Wales. This agreement, which supplements the activities of Cadbury-Schweppes, Ltd., the principal Pepsi-Cola franchise

bottler in that country, is expected to result in greater distribution of Pepsi in pubs and restaurants, where a large part of soft drinks are now consumed.

International distribution of PepsiCo snack food products was expanded in 1971 with the acquisition of the Matutano snack food company in Barcelona, Spain.

## New Plants

Because of the demand for Frito-Lay snacks, the following production facilities have been added:

- A new facility in Arlington, Texas, to produce Funyuns onion-flavored rings, Munchos potato crisps, and Fritos brand jalapeno bean dip.
- A new plant in Williamsport, Pennsylvania, to provide Doritos tortilla chips, Funyuns and Chee-tos cheese puffs.
- A new production line in Houston, Texas, for Chee-tos cheese puffs.
- A new Topeka, Kansas, plant for the production of Chee-tos, Doritos, Funyuns, and Munchos.
- An additional Doritos tortilla chip production line at the Frito-Lay plant in Allen Park, Michigan.

## Advertising

As it is to any strong marketing company, advertising is important to PepsiCo, Inc.

The appeal of association between a life style and a quality product expressed in the phrases, "You've got a lot to live," and, "Pepsi's got a lot to give," is an example of successful advertising at its best.

TV commercials for this product show real people in real situations, enjoying the good things in life...and Pepsi-Cola. Diet Pepsi-Cola advertising revived a popular musical theme, "Music to Watch Girls By," and added a new message: "Diet Pepsi Brings Back True Cola Taste! Diet Pepsi Takes Away Aftertaste."

A new personality made his debut in Frito-Lay advertising, a bulbous-nosed cartoon character named W. C. Fritos who extolls the virtues of Fritos corn chips. These commercials are being well received, and addi-

(continued on P. 27)





## London

The Union Jack flutters in the breeze, a Bentley chauffeur waits for "the guvner," and three tennis players carrying Wilson rackets head for what must be one of the most unusual courts in the world. Nestled in the heart of the Knightsbridge business district, its net operates on a meter. Put in 10 New Pence and the net cranks into playing position; at the end of the hour, it drops to the ground again. The first Pepsi was sold in the United Kingdom in the city of Brentford in 1936, making England one of Pepsi-Cola's oldest overseas markets.



## Portland

A soft wet snow covers the Douglas fir, as a wet and hungry logger pauses in his work for Fritos corn chips. Because of the greatly growing demand for its products in the Pacific Northwest, Frito-Lay is building a major new snack food plant in Vancouver, Washington, scheduled to go into production early in 1972.









### **Mexico, D. F.**

The marketplace of a mountain village outside Mexico—in the shadow of famed Popocatepetl Mountain—seethes with activity of traditional Saturday morning shopping. Another Saturday tradition is the baseball game, and a young boy enjoys Pepsi-Cola and a bag of Sabritas potato chips as he watches. Pepsi-Cola has been enjoyed in Mexico since 1938, and the Sabritas brand snacks have been sold there by PepsiCo since 1967.



## Dubrovnik

A wall was wrapped around the Yugoslavian seaport city centuries ago to protect its merchants from seafaring pirates. Today, the narrow portals and marble streets are still much the same as they were 300 years ago, with all motor traffic banned . . . except before 9:00 a.m., when a Pepsi-Cola truck quietly delivers its wares. Yugoslavia was the first Eastern European country in which Pepsi-Cola was sold, from a plant built outside Belgrade. Distribution has now been expanded into Hungary, Rumania, and in 1972, Poland.







## New Orleans

The exquisite filigreed wrought iron balconies of the Vieux Carre are treasured remnants of a gracious past in New Orleans—long celebrated for its Mardi Gras, its cosmopolitan air, its fine cuisine, and its distinctive music. On Bourbon Street, a Dixieland trumpeter pauses for a snack between choruses.



## Manila

A homeward-bound workman is framed in the setting sun on historic Manila Bay. Pepsi-Cola is the number one drink in the Philippines, and its advertising slogan reflects it. In Tagalog, the country's official language, it's "Ang lasa ng buhon namin ay Pepsi," which translates into English as "Our taste is Pepsi." Pepsi-Cola has been sold in the Philippines for 25 years; Mirinda flavors and Teem are also marketed there. Because basketball is a national craze, a Wilson ball is an important status symbol to any teenager.







## Hawaii

In Hawaii, a lone surfer emerges briefly from the eternal challenge of the sea. Since 1946, more than a decade before the island achieved statehood, they have shared with mainland America the pleasures of Pepsi refreshment.

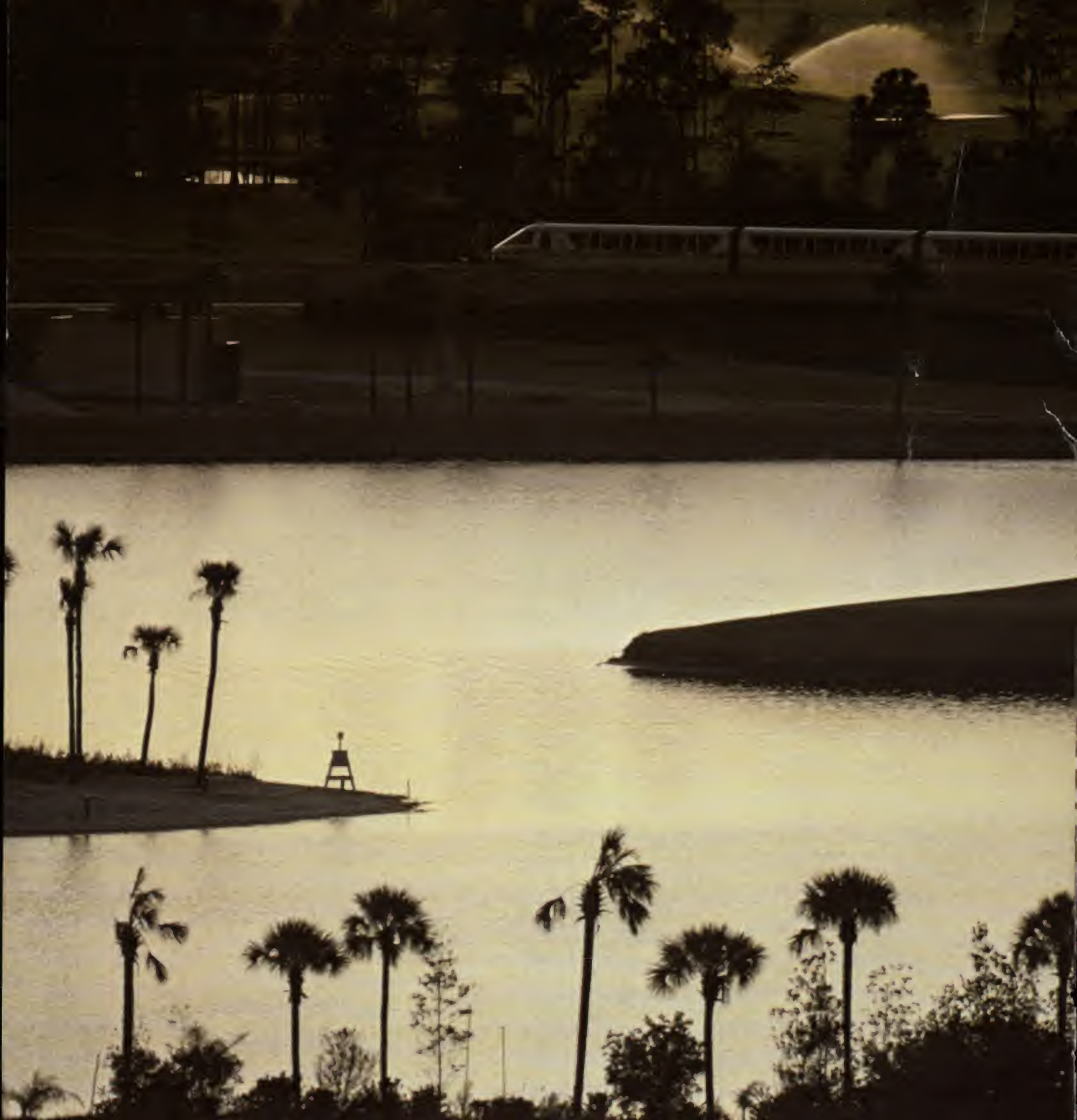


## Marrakesh

In the teeming *souk* (marketplace) of this ancient Moroccan city the venders hawk caftans and copper pots, djelabas and Pepsi-Cola. Pepsi has been marketed in the fabled "red city" of Marrakesh for 23 years. Today, two Pepsi-Cola route trucks make deliveries to the market stalls and cafes—this one, and another, small enough to negotiate the twisting streets and alleys of the *Casbah*.









## Orlando

The attractions of this part of Florida include Cape Kennedy, the famed citrus groves—and Disney World, where the “Train of Tomorrow” circles a glistening lake. Both Pepsi-Cola Company and Frito-Lay are prominent at Disney World, as sponsors of the Country Bear Jamboree, and at the adjoining Pecos Bill Bar, a girl enjoys products of both those companies.



## Tokyo

Billowing incense obscures the classic *torii* gate which guards the entrance to this temple courtyard. On religious holidays temporary stalls known as *yagura* are set up in the temple yard to sell snacks, souvenirs and, oftentimes, Pepsi-Cola. The first bottle of Pepsi-Cola was sold in Japan in 1946; since then, Mirinda flavors and other of the company's soft drinks have become popular there. Japan is also an important market for the sales of Wilson sports equipment, particularly golf. The popularity of that sport far outstrips the available playing time on the country's 600 courses. Thousands of Japanese, as a result, content themselves with elaborate games played out on driving ranges—some of them, like this one near Tokyo, "triple deckers."







## New York City

A northAmerican Van Lines rig makes its way across the Manhattan Bridge to Brooklyn, as the steel towers of the Wall Street financial district loom behind it. In 1972, northAmerican expects to move more than 100,000 families, one of them this family, changing its residence from Manhattan.

tional ones are planned. Ads for Lay's potato chips continue the established campaign, "Betcha Can't Eat Just One".

Advertising for Pepsi-Cola overseas is now being tailored for each individual market, with specialized messages for different cultures, instead of attempting to adapt one universal theme for all languages and lands.

A breakthrough for Wilson Sporting Goods advertising will take place early in 1972, when that company's tennis equipment will be promoted in network TV spots for the first time. The occasion is Wilson's co-sponsorship of the World Championship of Tennis series.

northAmerican Van Lines' advertising continues its successful theme, "We Treat Your Furniture Like Eggs," while a series of advertisements in trade magazines will highlight the role of the traffic manager—the man in a company whose job it is to see that things get moved. northAmerican is also offering greater assistance to its franchised agents in their local advertising programs.

### Promotions—The "Bear Facts"

Pepsi-Cola Company and Frito-Lay, who are individually engaged in consumer-oriented programs on a continuing basis, embarked on a major joint promotion in 1971 as sponsors of the "Country Bear Jamboree" at Walt Disney World, near Orlando, Florida.

The "Bear Band," developed by Disney technicians, uses computerized life-sized figures of bears which walk and move, and even appear to be playing music as they perform.

This promotion provides more than just an opportunity to advertise products: soft drinks and snacks will be sold at two adjacent food facilities, the Mile-Long Bar and the Pecos Bill Cafe, as well as throughout Disney World. It is estimated that many of the 10,000 people daily which the Bear Jamboree accommodates can be expected to visit one of these facilities for a Pepsi or a bag of Frito-Lay snacks.

At the same time, northAmerican Van Lines is a sponsor—and the "official mover"—for Kings Island, a new resort complex near Cincinnati.

## The Consumer

Two principal social issues of the Seventies are "consumerism" and "ecology." As a company whose major efforts are directed to consumer products which have eye-catching packages that are sometimes carelessly discarded by their users, PepsiCo is conscious of the problems and is actively seeking solutions.

Almost all snack food packages carry a "pull date" after which the product should not be sold, usually in a code for salesmen. To provide the buyer with more information, Lay's potato chip packages in some states (Colorado and Florida for instance) are now carrying a "Freshness Seal" with the legend: "Freshness Date—Not for Sale After . . .". This is the first national snack to prominently display this information in a way the customer can understand. The division intends to expand this test program in 1972.

Experimentation continues with respect to the development of an acceptable plastic bottle for use by the Pepsi-Cola Company.

Many Pepsi-Cola Bottlers, in conjunction with the Pepsi-Cola Company, have initiated local campaigns to alleviate the unsightly habits of careless people which create the problem of litter. One approach was the use of Mobile Reclamation Centers—truck-mounted glass crushers which pulverize glass bottles so that the material can be re-cycled. In a large number of other localities reclamation centers were set up at sites convenient to the consumer, with different neighborhoods visited at different times. Another program, bottler cooperation with Boy Scout clean-up campaigns, proved popular in a number of areas.

Litter, which can be partly caused by discarding packaging materials of various kinds, is a fractional part of the overall solid waste disposal problem. Our affluent society, heavily concentrated in America's cities, has created very real problems which require the cooperation of all. PepsiCo has taken an active part in forming and funding the National Center for Resource Recovery, which seeks solutions to the problem. Donald M. Kendall, the company's chairman and chief executive, serves as chairman of that group.

## Financial Review

**Revenues and earnings.** Net income of PepsiCo in 1971 was \$62.7 million, an increase of 12 percent from the prior year. These record earnings continue the growth trend of recent years. Earnings per share, before extraordinary items, for each of the years commencing with the merger of Pepsi-Cola and Frito-Lay in 1965 follow:

1965	\$1.64	1969	\$2.33
1966	1.85	1970	2.49
1967	1.93	1971	2.74
1968	2.10		

This represents an average compound growth rate in earnings per share of 9 percent per year. In 1971, this increase in earnings per share was 10 percent.

PepsiCo also achieved a record year in sales with a 9 percent increase over 1970. This, together with an emphasis on productivity and cost reduction throughout the Corporation, resulted in an improvement in the pre-tax profit margin from 8.7 to 9.1 percent.

Improvements were made in all PepsiCo's lines of business with the food and sporting goods lines making exceptional gains in 1971.

### Sales and Revenues

	1971 <sup>(1)</sup>	1970 <sup>(1)</sup>	1969	1968	1967
Beverage	45%	46%	52%	54%	53%
Food	29	29	32	31	33
Transportation	11	11	12	13	12
Sporting Goods	10	9	—	—	—
Leasing	5	5	4	2	2
Totals	100%	100%	100%	100%	100%

### Contribution before taxes and corporate interest and expenses

	1971 <sup>(1)</sup>	1970 <sup>(1)</sup>	1969 <sup>(2)</sup>	1968	1967
Beverage	60%	63%	65%	67%	63%
Food	25	24	22	20	24
Transportation	7	7	8	8	8
Sporting Goods	7	6	—	—	—
Leasing	1	—	5	5	5
Totals	100%	100%	100%	100%	100%

(1) Includes all sales of Wilson Sporting Goods Co. from the time of PepsiCo's purchase in February 1970 and 87% and 74% of its earnings in 1971 and 1970, respectively.

(2) Before extraordinary items.

**International operations.** PepsiCo's operations outside the United States for the two years 1971 and 1970 were 19 percent of total world-wide sales and revenues (in both years) and 24 percent and 25 percent, respectively, of total contribution to income before taxes and corporate interest and expenses.

During the latter half of 1971 there were significant developments in the international monetary scene resulting in upward revaluation of many of the world's currencies, but these did not have an appreciable impact on PepsiCo's reported results. In several South American countries, continued devaluation resulted in exchange gains since the Company had taken steps to guard against these risks. Translation gains from this source are largely offset by additional costs associated with

local currency borrowings and the adverse effect of related inflation upon dollar earnings.

**Debt.** Major steps were taken in July 1971 to re-arrange the PepsiCo debt structure, including the sale of \$50,000,000 4¾ percent convertible subordinated debentures due 1996. In addition, arrangements were made with a group of banks to provide up to \$33,000,000 of additional borrowing facilities as further explained in Note 3. Proceeds from these borrowings were used to retire short-term borrowings, part of which were the result of prepayment of Deutschmark debt, and to provide working capital. Such prepayment proved to be very timely in view of the subsequent floating and upward revaluation of the German currency.

At year-end 1971, short-term and long-term debt in the consolidated balance sheet totaled approximately \$240,000,000 which was about \$12,000,000 less than the total at the end of 1970.

	1971	1970
	(in thousands)	
Current borrowings—domestic	\$ 134	\$ 43,312
—foreign	37,878	26,221
Total	38,012	69,533
Long-term debt—current	3,985	4,718
—non-current	197,801	177,514
Total	201,786	182,232
Total interest-bearing debt	\$239,798	\$251,765

**Capital expenditures.** During 1971, the Company (exclusive of leasing subsidiaries) invested \$54,047,000 in capital projects, down from \$63,442,000 spent in 1970, which included a portion of the new corporate headquarters at Purchase, N.Y. These investments were made to expand and modernize facilities, to meet increasing volume requirements and reduce costs. Most of the expenditure was for plant and machinery, with the remainder going for route trucks, long-haul trucks, vending equipment, etc. Plans for 1972 call for slightly higher expenditures than in 1971.

**Investment in leasing subsidiaries.** The Company's investment in its leasing subsidiaries remained essentially the same except for a change in the method of allocating consolidated federal income tax benefits to leasing subsidiaries. This change resulted in a transfer of \$12,484,000 to deferred income taxes in the consolidated balance sheet and a corresponding addition to carrying value of this investment. The increase did not represent an infusion of additional funds.

As of February 1, 1972, the Company sold its subsidiary engaged in automobile fleet leasing, Lease Plan, Inc., to Gelco-IVM Leasing Company of Minneapolis, Minnesota for \$6,700,000 in cash and notes. Management believes that the proceeds of the sale can be more productively employed in other areas. Lease Plan, Inc. had approximately \$111 million in leases and other assets and \$106 million in notes and payables.

Certain leasing subsidiaries fell short of profit objectives in 1971, and they will continue to receive management attention directed towards an improvement in the Company's return on investment.

## Summary of Accounting Policies

PepsiCo's accounting policies are in accordance with generally accepted accounting principles. Outlined below are those policies considered particularly significant for PepsiCo.

**Principles of Consolidation.** All subsidiaries, except leasing subsidiaries, have been consolidated including Wilson Sporting Goods Co. which was 87 percent owned at December 25, 1971. Leasing subsidiaries are carried at equity, with condensed financial information on these companies shown in Note 2.

**Foreign Operations.** Operations of foreign subsidiaries and branches are included in the consolidated financial statements.

In general, foreign currency assets and liabilities are translated into U. S. dollars at year-end exchange rates, except for inventories and fixed assets which are translated at rates in effect at the time these assets were acquired. Income accounts are translated at rates prevailing during the year except that inventories charged to cost of sales and depreciation are based on the historical equivalent dollar costs of the related assets. Foreign exchange gains and losses, including those arising from translation, are included in income.

To the extent that additional taxes would result from dividend distributions to the U. S. parent, such taxes are provided when distributions are anticipated.

**Inventories.** Inventories are stated at the lower of cost (computed on the average or first-in, first-out method) or net realizable value.

**Property, Plant, and Equipment.** Land, buildings, machinery and equipment, including betterments to existing facilities, are carried at cost. Depreciation is calculated generally on a straight-line basis over estimated service lives of the respective assets. Maintenance and repairs are charged to expense as incurred. Valuation of bottles and cases is based on periodic physical inventories of those on hand and on book records of those with the trade. In-plant and estimated in-trade breakage is charged to cost of sales. Returnable bottles and cases are carried at cost and, in the case of domestic operations where such containers are less prevalent, are reduced to a unit valuation when placed in use.

**Goodwill.** Cost in excess of net assets of companies acquired is not being amortized (except for approximately \$8,000,000) since there is no present indication that such excess has a determinable life or existence. Excess costs attributable to companies purchased since the adoption of Accounting Principles Board Opinion No. 16 in 1970 are being amortized over appropriate periods.

**Marketing Costs.** The costs of advertising and other marketing and promotional programs are charged to expense during the year generally in relation to sales, and, except for materials in inventory and prepayments, are fully expensed by the end of the year in which the cost is incurred.

**Income Taxes.** Deferred taxes arise from timing differences between financial and tax reporting principally

relating to depreciation and the recognition of income on certain leases.

Beginning in 1971, PepsiCo adopted the policy of deferring the recognition of benefits from new investment tax credits and will amortize such benefits over the useful lives of the related assets acquired. In previous years, investment tax credits were shown as a reduction in federal income taxes in the year the assets were placed in service. Under the Company's new policy, \$998,000 or \$.04 per share, (including \$333,000 for leasing subsidiaries) was deferred at December 25, 1971 and net income for the year was reduced accordingly.

PepsiCo includes the operations of U. S. subsidiaries in its consolidated federal income tax return. PepsiCo has the policy of having separate subsidiary groups provide for federal income taxes as if each group filed its own tax return, with the combined leasing subsidiaries considered as a single subsidiary group. In prior years, leasing subsidiaries had been paid \$12,484,000 for the cumulative benefits of their tax losses included in the consolidated income tax return. This amount, which had been classified as deferred taxes by the leasing subsidiaries at the end of 1970, became a payable to PepsiCo, Inc. in 1971. This balance sheet reclassification had no effect upon the net income of the combined leasing subsidiaries or of PepsiCo consolidated but did account for an increase of \$12,484,000 in the investment in leasing subsidiaries and in deferred income taxes in the accompanying consolidated balance sheet.

**Net Income Per Share.** Net income per share is calculated by dividing net income by the average number of capital shares and capital share equivalents outstanding during the year. The only capital share equivalents PepsiCo has are qualified stock options. The conversion into capital stock of all convertible debentures, after elimination of related interest expense, would result in a dilution of less than 2%.

**Leasing Subsidiaries.** Income earned on all leases and contracts receivable is recognized over their terms on a declining basis in proportion to the related outstanding amounts receivable under the finance lease method of accounting.

Under lease agreements involving rental equipment the operating method of accounting is used. Rental income is recognized principally as rentals become due, less related depreciation and interest expense. Under certain of these leases, depreciation is computed at varying percentages per related agreements which reduces the unamortized investment to estimated residual value at the end of the rental period.

# Consolidated Balance Sheet

PepsiCo, Inc. and Subsidiaries

December 25, 1971 and December 26, 1970

Assets	1971	1970
<b>Current Assets</b>	(in thousands)	
Cash .....	\$ 33,087	\$ 30,848
Short-term securities (approximates market) .....	67,344	45,184
Notes and accounts receivable, less allowance .....	118,870	109,362
Inventories .....	110,523	113,234
Prepaid expenses .....	13,496	12,760
	<u>343,320</u>	<u>311,388</u>
<b>Investments and Long-Term Receivables</b>		
Leasing subsidiaries—at equity .....	89,376	76,348
Long-term receivables and other investments—at cost .....	13,868	19,806
	<u>103,244</u>	<u>96,154</u>
<b>Property, Plant and Equipment, at Cost</b>		
Land .....	20,961	17,149
Buildings .....	111,705	102,250
Machinery and equipment .....	286,459	255,669
Bottles and cases .....	50,701	49,432
	<u>469,826</u>	<u>424,500</u>
Less accumulated depreciation .....	168,365	150,462
	<u>301,461</u>	<u>274,038</u>
<b>Goodwill—cost in excess of net assets of companies acquired .....</b>	<b>67,187</b>	<b>62,590</b>
<b>Other Assets .....</b>	<b>12,528</b>	<b>13,725</b>
	<u>\$827,740</u>	<u>\$757,895</u>

See accompanying notes.

**Liabilities and Shareholders' Equity****1971****1970****Current Liabilities**

(in thousands)

Notes payable (including current installments on long-term debt) . . . . .	<b>\$ 41,997</b>	<b>\$ 74,251</b>
Accounts payable and accrued liabilities . . . . .	<b>110,972</b>	<b>109,304</b>
United States and foreign income taxes . . . . .	<b>28,577</b>	<b>16,309</b>
Customers' deposits on bottles and cases . . . . .	<b>13,233</b>	<b>14,359</b>
	<u><b>194,779</b></u>	<u><b>214,223</b></u>

<b>Long-Term Debt</b> . . . . .	<b>197,801</b>	<b>177,514</b>
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<b>Other Liabilities and Deferred Credits</b> . . . . .	<b>8,597</b>	<b>8,946</b>
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<b>Deferred Income Taxes</b> . . . . .	<b>33,000</b>	<b>4,500</b>
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<b>Minority Interest</b> . . . . .	<b>11,168</b>	<b>21,472</b>
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**Shareholders' Equity**

Capital stock, par value 16 $\frac{2}{3}$ ¢ per share; authorized 30,000,000 shares; issued and outstanding 1971—23,003,074 shares; 1970—22,714,508 shares .	<b>3,834</b>	<b>3,786</b>
Capital in excess of par value . . . . .	<b>73,878</b>	<b>62,538</b>
Retained earnings . . . . .	<b>304,683</b>	<b>264,916</b>
	<u><b>382,395</b></u>	<u><b>331,240</b></u>
	<u><b>\$827,740</b></u>	<u><b>\$757,895</b></u>

# Consolidated Statement of Income and Retained Earnings

PepsiCo, Inc. and Subsidiaries

Years ended December 25, 1971 and December 26, 1970

	1971	1970
	(in thousands)	
<b>Revenues</b>		
Net sales	\$1,225,398	\$1,122,593
Interest and other income	17,784	11,036
Total revenues	<u>1,243,182</u>	<u>1,133,629</u>
<b>Costs and Expenses</b>		
Cost of sales	661,408	613,122
Marketing, administrative and other expenses	455,443	409,447
Interest expense	14,557	13,819
Total costs and expenses	<u>1,131,408</u>	<u>1,036,388</u>
	111,774	97,241
Provision for United States and foreign income taxes (including deferred: 1971—\$9,916,000; 1970—\$4,500,000)	49,930	41,200
	<u>61,844</u>	<u>56,041</u>
Equity in net income of leasing subsidiaries	818	12
<b>Net Income</b>	62,662	56,053
Retained earnings at beginning of year	264,916	231,457
Cash dividends (\$1.00 per share)	(22,895)	(22,594)
Retained earnings at end of year	<u>\$ 304,683</u>	<u>\$ 264,916</u>
<b>Net Income Per Share</b>	<u>\$2.74</u>	<u>\$2.49</u>

See accompanying notes.

# Consolidated Statement of Changes in Financial Position

PepsiCo, Inc. and Subsidiaries

Years ended December 25, 1971 and December 26, 1970

	1971	1970
<b>Source of Working Capital:</b>		
Operations	(In thousands)	
Net income .....	\$ 62,662	\$ 56,053
Depreciation and amortization .....	29,936	26,030
Deferred income taxes (including tax benefit from leasing subsidiaries in 1971) .....	9,916	4,500
Capital stock (including conversion of debentures) .....	11,388	9,122
Deferred income tax transferred from leasing subsidiaries .....	12,484	—
Long-term debt .....	61,264	82,725
Property disposals .....	7,586	9,005
Realization of deferred tax benefit on property disposal .....	6,100	—
Working capital of companies acquired .....	—	52,969
	<u>201,336</u>	<u>240,404</u>
<b>Application of Working Capital:</b>		
Dividends .....	22,895	22,594
Purchase of Wilson Sporting Goods Co. ....	10,915	62,900
Other companies purchased for cash .....	2,497	2,917
Plant and equipment .....	54,047	63,442
Long-term debt .....	40,977	31,323
Containers—net .....	1,269	7,232
Leasing subsidiaries (principally relating to deferred taxes in 1971) .....	13,028	10,336
Other .....	4,332	3,818
	<u>149,960</u>	<u>204,562</u>
Increase in working capital .....	<u>\$ 51,376</u>	<u>\$ 35,842</u>
<b>Increase (Decrease) in Working Capital, by Element:</b>		
Cash and short-term securities .....	\$ 24,399	\$ 15,806
Receivables .....	9,508	25,511
Inventories .....	(2,711)	54,358
Prepaid expenses .....	736	(766)
Notes payable .....	32,254	(48,975)
Income taxes .....	(12,268)	(111)
Other current liabilities .....	(542)	(9,981)
Net increase in working capital .....	<u>51,376</u>	<u>35,842</u>
<b>Working capital at beginning of year .....</b>	<b>97,165</b>	<b>61,323</b>
<b>Working capital at end of year .....</b>	<b><u>\$148,541</u></b>	<b><u>\$ 97,165</u></b>

See accompanying notes.

## Notes to Consolidated Financial Statements

The summary of accounting policies on page 29 should be read in conjunction with these notes.

**Note 1—Foreign operations.** Total assets and total liabilities of consolidated subsidiaries and branches outside the United States and Puerto Rico were \$198,700,000 and \$86,200,000, respectively. Net foreign exchange gains, originating primarily from countries subject to recurring currency devaluations, were \$6,000,000 in 1971 and \$2,000,000 in 1970, before reduction for the effect such devaluations had on related operating results expressed in U.S. dollars.

**Note 2—Leasing subsidiaries.** The condensed combined financial statements of the leasing subsidiaries shown below at December 31, 1971 and 1970 and for the years then ended include the activities of PepsiCo Leasing Corporation, Lease Plan, Inc., PepsiCo Truck Rental, Inc., LPI Transportation Corp. and Pepsi-Cola Equipment Corp.

Condensed Financial Position	1971	1970
	(in thousands)	
Cash	\$ 28,716	\$ 17,921
Leases and contracts receivable	285,997	293,525
Rental equipment, less accumulated depreciation (1971—\$22,949,000; 1970—\$15,417,000)	86,058	67,334
Other assets, including intangibles	19,241	18,047
Assets	420,012	396,827
Secured notes payable	229,160	218,224
Other notes payable	67,277	66,293
Accounts payable and accruals	24,997	14,809
Deferred federal income tax <sup>a</sup>	9,202	21,153
Liabilities	330,636	320,479
PepsiCo equity in leasing subsidiaries	\$ 89,376	\$ 76,348
Represented by:		
Capital stock and surplus	\$ 27,278	\$ 27,483
Retained earnings	11,646	11,161
Net worth of leasing subsidiaries	38,924	38,644
Interest-bearing advances payable to PepsiCo, Inc. (including \$34,000,000 of subordinated notes due in 1979 and 1980)	41,534	41,982
Payable to (receivable from) PepsiCo, Inc.	8,918	(4,278)
	\$ 89,376	\$ 76,348

### Notes to condensed financial statements

- See Summary of Accounting Policies—Income Taxes.
- Includes losses of \$2,506,000 in 1970 related to revaluation of lessee receivables, billing adjustments and unrecovered expenses on vehicle purchases.
- Secured notes payable are generally repayable as the related leases and contracts receivable are collected.
- With respect to Pepsi-Cola Equipment Corporation, engaged in providing leasing services to franchise Pepsi-Cola bottlers, PepsiCo, Inc. has guaranteed its 4½% notes payable of \$20,000,000 due in 1972 (included in other notes payable); these obligations are not collateralized.
- In February 1972, PepsiCo, Inc. sold its wholly-owned subsidiary, Lease Plan, Inc., for a price which will result in no material gain or loss. The above combined financial statements for 1971 include Lease Plan as follows: assets—\$110,798,000; liabilities—\$105,778,000; revenues—\$3,451,000; and net income—\$245,000.

Condensed Statement of Income & Retained Earnings	1971	1970
	(in thousands)	
Leasing and other income	\$68,602	\$62,136
Operating and administrative expenses (including depreciation: 1971—\$12,977,000; 1970—\$10,971,000)	52,291	45,032 <sup>b</sup>
Interest expense (including \$3,490,000 in 1971 and \$4,560,000 in 1970 paid to PepsiCo, Inc.)	14,838	16,848
Total costs and expenses	67,129	61,880
Income before federal income tax	1,473	256
Provision for federal income tax (less investment credit—\$100,000 in 1971 and \$108,000 in 1970)	655 <sup>a</sup>	244
Net Income	818	12
Retained earnings at beginning of year	11,161	16,217
Transfers to capital surplus in corporate realignment	—	( 5,068)
Dividend paid	( 333)	—
Retained earnings at end of year	\$11,646	\$11,161

Condensed Statement of Changes in Financial Position	1971	1970
	(in thousands)	
Source (Application) of Funds		
Operations		
Net income	\$ 818	\$ 12
Depreciation and amortization	13,013	11,076
Deferred federal income taxes <sup>a</sup>	533	2,502
Advances from PepsiCo, Inc.	12,210	10,324
Property and equipment disposals and other	9,596	12,063
Property and equipment acquired	(42,429)	(41,814)
Net funds of company removed from consolidation on sale of portion of investment	—	( 7,006)
Deferred income tax transferred to PepsiCo, Inc. <sup>a</sup>	(12,484)	—
Decrease in Funds	\$ (18,743)	\$ (12,843)

**Note 3—Long-term debt.** At December 25, 1971 and December 26, 1970 long-term debt (less current installments) consisted of:

	1971	1970
	(in thousands)	
Floating rate loan notes, 9% % at December 25, 1971 (6½% % at February 29, 1972) due \$2,000,000 annually to 1976; \$6,000,000 in 1977; \$19,000,000 in 1978, 1979 and 1980	\$ 71,000	\$ 73,000
4¾% convertible subordinated debentures due \$2,500,000 annually from 1982 to 1995 with the balance due in 1996	50,000	—
6½% subordinated debentures, due 1988	35,000	35,000
4½% convertible debentures, due 1981	13,648	22,578
Revolving credit notes	11,220	—
9% (variable rate) Deutschmark notes due 1972-1973 (prepaid in 1971)	—	27,100
Other	16,933	19,836
	\$197,801	\$177,514

Revolving credit notes are outstanding under a Credit Agreement executed in July 1971 with a group of banks which provides for loans of up to \$33,000,000 until July 30, 1974, at which time they may be converted by the Company to a term loan payable in eight semi-annual installments commencing January 30, 1975. The interest

rate (5.32% at December 25, 1971) is based on the prime rate. The Credit Agreement provides, among other things, for maintenance of minimum working capital and places certain restrictions upon payment of cash dividends. Of consolidated retained earnings at December 25, 1971, approximately \$68,000,000 was free of such restrictions.

**Note 4—Capital stock and capital in excess of par value.**

At December 25, 1971 options were outstanding on 238,852 shares (of which 90,161 were then exercisable) having an aggregate option price of \$10,853,775. The balance of 313,116 shares is available for future grants under the Company's 1964 and 1969 Plans. In 1971 options were exercised as to 94,619 shares having an aggregate option price of \$3,097,586 and options were cancelled as to 15,675 shares. No options were granted during the year.

Shares reserved at December 25, 1971 were as follows:

Stock options .....	551,968
4½ % convertible debentures (at \$46.50 per share) .....	293,526
4¾ % convertible subordinated debentures (at \$63.50 per share) .....	787,402
	<u>1,632,896</u>

The increases in capital in excess of par value for 1971 and 1970 were the excess of proceeds or conversion price over par value of shares issued for:

	Shares		Amount	
	1971	1970	1971	1970
			(in thousands)	
Stock option plans .....	94,619	83,126	\$ 3,082	\$2,310
Conversion of debentures	191,962	125,436	8,168	5,277
Other .....	1,985	120,000	90	1,480
	<u>288,566</u>	<u>328,562</u>	<u>\$11,340</u>	<u>\$9,067</u>

**Note 5—Long-term leases and commitments.** The Company and its subsidiaries are lessees under long-term leases for office space, plant and warehouse facilities expiring at various dates to 1992 having minimum aggregate annual rentals of \$6,000,000 (exclusive of insurance, taxes and repairs) in 1972.

At December 25, 1971 the Company and its subsidiaries were contingently liable under loan guarantees and repurchase agreements, aggregating \$19,600,000. The Company is also contingently liable for the repurchase of vending equipment acquired by franchisees, unpaid balances in this regard being \$2,500,000, at December 25, 1971.

**Note 6—Pensions.** PepsiCo and its subsidiaries have several non-contributory pension plans covering substantially all domestic employees and certain of its employees outside of the U. S. The Company's policy is to accrue and fund normal cost plus interest on unfunded prior service cost. Substantially all vested benefits have been funded. Pension expense was approximately \$8,000,000 in 1971 and \$7,300,000 in 1970.

**Note 7—Litigation.** In 1970 the United States Government commenced a civil antitrust action and a number of private civil antitrust actions (in most cases purporting to be class actions) were brought against the Company's subsidiary, Frito-Lay, Inc., certain of its competitors and, in some instances, the Company, charging violations of antitrust laws in connection with sales of certain snack foods in California, Arizona and Nevada. All these actions are in preliminary stages. Although the outcome of the litigation cannot be predicted with certainty, based on the advice of counsel, management believes that an adverse result in any litigation would not materially affect the financial position of the Company.

In 1971 the Federal Trade Commission issued complaints against seven soft drink manufacturers, including the Company and its principal competitors, alleging that the territorial restrictions imposed on franchised soft drink bottlers in the United States unreasonably restrain trade. No monetary damages are sought. Hearings in the matter have not yet been held and management and counsel cannot evaluate the future financial or business effect, if any, on its domestic concentrate and syrup manufacturing or soft drink bottling business in the event an order is issued declaring such territorial restriction provisions to be illegal and such order is ultimately upheld by the courts.

The Company intends a vigorous defense of these matters.

## Report of Certified Public Accountants

Board of Directors and Shareholders,  
PepsiCo, Inc.

We have examined the accompanying consolidated balance sheet of PepsiCo, Inc. and subsidiaries at December 25, 1971 and the related consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously made a similar examination of the financial statements for the prior year.

In our opinion, the statements mentioned above present fairly the consolidated financial position of PepsiCo, Inc. and subsidiaries at December 25, 1971 and December 26, 1970 and the consolidated results of their operations and the consolidated changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

*Arthur Young & Company*

277 Park Avenue  
New York, N.Y.  
February 23, 1972

## Historical Financial Information

	1971	1970
<b>Operating Results</b> (in thousands except per share)		
Sales and revenues .....	\$1,225,398	\$1,122,593
U.S. and foreign income taxes .....	49,930	41,200
Income after taxes (before extraordinary items) .....	62,662	56,053
Per common share .....	\$ 2.74	\$ 2.49
Cash dividends paid (including pooled companies prior to merger) .....	22,895	22,594
Per common share .....	\$ 1.00	\$ 1.00
Additions to plant .....	54,047	63,442
Depreciation and amortization .....	29,936	26,030
<b>Year-End Position</b> (in thousands except per share)		
Working capital .....	148,541	97,165
Equity in leasing subsidiaries .....	89,376	76,348
Plant, property and equipment—net .....	301,461	274,038
Total assets .....	827,740	757,895
Long-term debt .....	197,801	177,514
Stockholders' equity .....	382,395	331,240
Per share .....	\$16.62	\$14.58
<b>Statistics</b>		
Employees .....	37,000	36,000
Stockholders .....	47,500	49,000
Average shares of common stock outstanding (in thousands) .....	22,879	22,547
Common shares outstanding at year-end (in thousands) .....	23,003	22,715
<b>Ratios</b>		
Current assets to current liabilities .....	1.8 to 1	1.5 to 1
Return on stockholders' equity .....	16.4%	16.9%
Return on sales (excluding leasing operations) .....	5.0%	5.0%

This statement has been retroactively adjusted under the pooling of interests method of accounting to include Lease Plan International Corp. acquired in 1966 and North American Van Lines, Inc. and Chandler Leasing Corporation acquired in 1968. Retroactive adjustments have been made to give effect to the two-for-one stock split in 1967.

1969	1968	1967	1966	1965
\$949,390	\$848,265	\$758,337	\$691,276	\$585,059
42,000	39,200	29,200	28,800	26,400
51,884	46,454	42,531	40,352	35,496
\$ 2.33	\$ 2.10	\$ 1.93	\$1.85	\$1.64
21,758	19,785	18,993	17,192	18,121
\$ .975	\$ .90	\$ .875	\$ .80	\$ .80
70,235	40,414	38,621	37,497	32,491
23,832	22,631	21,501	18,798	15,740
61,323	95,408	93,155	88,649	58,952
66,012	22,364	18,776	14,563	15,366
229,736	198,257	175,685	159,747	121,406
538,991	471,916	417,741	402,842	300,805
91,112	68,273	73,505	79,621	23,571
288,659	264,163	235,511	208,916	185,188
\$12.90	\$11.90	\$10.66	\$9.54	\$8.53
30,000	28,000	25,000	19,000	19,000
52,000	51,000	49,000	47,000	47,500
22,286	22,144	22,021	21,816	21,706
22,386	22,196	22,100	21,906	21,706
1.4 to 1	1.7 to 1	1.9 to 1	1.8 to 1	1.7 to 1
18.0%	17.6%	18.1%	19.3%	19.2%
5.2%	5.1%	5.3%	5.6%	5.7%

## Directors and Officers

### PepsiCo, Inc. Directors

Donald M. Kendall\*  
*Chairman of the Board and Chief Executive Officer, PepsiCo, Inc.*

Herman W. Lay\*  
*Chairman of the Executive Committee, PepsiCo, Inc.*

Andrall E. Pearson\*  
*President, PepsiCo, Inc.*

Charles Allen, Jr.\*  
*Senior Partner, Allen & Company, Investment Bankers*

Angus S. Alston\*  
*President, South Western Bell Telephone Co.*

Victor A. Bonomo  
*President and Chief Executive Officer Pepsi-Cola Company and Vice President, Beverage Operations (U.S.), PepsiCo, Inc.*

George Champion\*  
*President of Economic Development Council of New York City, Inc.*

Bernard J. Lasker  
*Senior Partner, Lasker, Stone & Stern, Securities Brokerage Firm*

Harold R. Lilley  
*President, Frito-Lay, Inc. and Vice President, Food Operations (U.S.), PepsiCo, Inc.*

William B. Oliver  
*Chairman of the Board, Frito-Lay, Inc.*

James M. Roche  
*Director of General Motors Corporation*

Herman A. Schaefer  
*Executive Vice President, Finance and Administration, PepsiCo, Inc.*

Robert H. Stewart III\*  
*Chairman of the Board, First National Bank in Dallas*

Peter K. Warren  
*President, PepsiCo International and Vice President, International Operations, PepsiCo, Inc.*

### Officers

Donald M. Kendall  
*Chairman of the Board and Chief Executive Officer*

Herman W. Lay  
*Chairman of the Executive Committee*

Andrall E. Pearson  
*President*

Herman A. Schaefer  
*Executive Vice President, Finance and Administration*

Robert J. Abernethy  
*Vice President, Manufacturing*

Victor A. Bonomo  
*Vice President, Beverage Operations (U.S.)*

Richard J. Caley  
*Vice President, Transportation*

Cartha D. DeLoach  
*Vice President, Corporate Affairs*

Agustin Edwards  
*Vice President, Foods International*

Gerald J. Fischer  
*Vice President, Corporate Planning and Control*

Harold R. Lilley  
*Vice President, Food Operations (U.S.)*

Harvey Luppescu  
*Vice President, Tax Administration*

Harvey C. Russell  
*Vice President, Community Affairs*

Gordon A. Sutton  
*Vice President, Personnel*

Peter K. Warren  
*Vice President, International Operations*

George Williamson  
*Vice President, Treasurer*

W. Warren Lee  
*Controller*

James G. Frangos  
*General Counsel*

Edward V. Lahey, Jr.  
*Secretary and Assistant General Counsel*

Archie M. Bankston  
*Assistant Secretary*

W. Lamar Lovvorn  
*Assistant Secretary*

William T. Leitner  
*Assistant Treasurer*

Joseph Neubauer  
*Assistant Treasurer*

\*Member of Executive Committee

Executive Offices

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**PepsiCo, Inc.**

Purchase, New York 10577

**Principal Divisions and Subsidiaries:**

**Pepsi-Cola Company**

Purchase, New York 10577

Victor A. Bonomo, *President*

**Frito-Lay, Inc.**

Frito-Lay Tower, Exchange Park

Dallas, Texas 75235

Harold R. Lilley, *President*

**PepsiCo International**

Purchase, New York 10577

Peter K. Warren, *President*

**PepsiCo Leasing**

101 Hartwell Avenue, Lexington, Massachusetts 02173

Stillman B. Brown, *President*

**PepsiCo Transportation**

1925 National Plaza, Tulsa, Oklahoma 74151

Richard J. Caley, *President*

**Wilson Sporting Goods Co.**

2233 West Street, River Grove, Ill. 60171

Thomas P. Mullaney, *President*

**Annual Meeting**

The Annual Meeting of stockholders will be held at the offices of the Corporation, Purchase, New York, at 10:00 a.m. (E.D.T.) Wednesday, May 3, 1972. Proxies for the meeting will be solicited by management in a separate Proxy Statement. This report is not a part of such proxy solicitation and is not to be used as such.

**Transfer Agents**

Marine Midland Bank—New York, New York, N.Y.

First Jersey National Bank, Jersey City, N. J.

Harris Trust and Savings Bank, Chicago, Ill.

First National Bank in Dallas, Dallas, Texas

The Fulton National Bank of Atlanta, Atlanta, Ga.

**Registrars**

The Chase Manhattan Bank N.A., New York, N.Y.

The First National Bank of Chicago, Chicago, Ill.

Republic National Bank of Dallas, Dallas, Texas

The First National Bank of Atlanta, Atlanta, Ga.

**Auditors**

Arthur Young & Company, New York, N.Y.





